I

119TH CONGRESS
2D SESSION

H. R. 9573

To amend the Internal Revenue Code of 1986 to provide incentives for certain residential rental property.

IN THE HOUSE OF REPRESENTATIVES

JULY 2, 2026

Mr. CAREY introduced the following bill; which was referred to the Committee on Ways and Means

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A BILL

To amend the Internal Revenue Code of 1986 to provide incentives for certain residential rental property.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the ‘‘Housing Opportunities and Preservation Enhancement Act of 2026’’.

SEC. 2. TAX INCENTIVES FOR CERTAIN RESIDENTIAL RENTAL PROPERTY.

(a) IN GENERAL.—Chapter 1 of the Internal Revenue Code of 1986 is amended by inserting after subchapter V the following new subchapter:

“Subchapter W—Certain Residential Rental Property

“SEC. 1400W-1. QUALIFIED PROPERTY.

“(a) IN GENERAL.—For purposes of this subchapter, the term ‘qualified property’ means, with respect to any taxable year, any building which—

“(1) is residential rental property (as defined in section 168(e)(2)(A)),

“(2) in the case of a qualified low-income building (as defined in section 42(c)(2)), is not within the compliance period (as defined in section 42(i)(1)) with respect to such building,

“(3) is owned by a partnership which is a limited liability company or a limited partnership in which every managing member or general partner is a qualified tax-exempt organization, a State or local government, a qualified tribal housing agency, or a public housing authority,

“(4) as of the close of such taxable year, at least 70 percent of the residential units in such building are both rent-restricted (within the meaning of section 42(g)(2)) and occupied by individuals whose income is 80 percent or less of the area median income (determined under the rules of section 42),

"(5) as of the close of such taxable year, such building bound by restrictions enforcing paragraph (4) which otherwise meet the requirements of clauses (ii) through (vi) of section 42(h)(6)(B),

"(6) during any 24-month period, rehabilitation expenditures (as defined in section 42(e)(2)) with respect to such building paid or incurred by such partnership equal or exceed the greater of—

"(A) 20 percent of the adjusted basis of such building (as of the beginning of such period), or

"(B) $20,000 per residential unit, and

"(7) was originally placed in service more than 15 years before the date on the which the rehabilitation referred to in paragraph (6) began.

"(b) VERIFICATION OF REHABILITATION EXPENDITURES.—The requirement of subsection (a)(6) shall not be treated as satisfied unless an independent attorney or certified public accountant has issued a written certification that such attorney or accountant has examined the expenditures incurred with respect to such building and, based upon such examination, it is such attorney's or accountant's belief that such requirement has been satisfied.

"(c) DEFINITIONS.—For purposes of this section—

"(1) PUBLIC HOUSING AUTHORITY.—The term 'public housing authority' means any State, county, municipality, or other governmental entity or public body, or agency or instrumentality of the foregoing, that is authorized to engage or assist in the development or operation of low-income housing under the United States Housing Act of 1937.

"(2) QUALIFIED TAX-EXEMPT ORGANIZATION.—

"(A) IN GENERAL.—The term 'qualified tax-exempt organization' means, with respect to any qualified property, any organization exempt from the tax imposed under this chapter that, for the 5 years preceding the date on which such qualified property was placed in service—

"(i) met the requirements of section 42(h)(5)(C)(i) and (ii),

"(ii) had an ownership interest in residential rental property serving low-income persons, and

"(iii) materially participated (within the meaning of section 469(h)) in the development and operation of residential rental property.

"(B) APPLICATION OF REQUIREMENTS TO TIERED ORGANIZATIONS.—For purposes of this paragraph, an organization shall be treated as satisfying the requirements of clause (ii) or (iii) of subparagraph (A) if—

"(i) any organization in which such organization holds stock satisfies such requirements, or

"(ii) all of the stock of such organization is held by 1 or more tax-exempt organizations at all times during the period such organization is in existence and such organizations satisfy such requirements.

"(3) QUALIFIED TRIBAL HOUSING AUTHORITY.—The term 'qualified tribal housing authority' means, with respect to any qualified property, any organization that, for the 5 years preceding the date on which such qualified property was placed in service—

"(A) is designated by an Indian tribal government (as defined in section 7701(a)(40)) to engage or assist in the development and operation of low-income housing, and

"(B) had an ownership interest in residential rental property serving low-income persons, and materially participated (within the meaning of section 469(h)) in the development and operation of residential rental property.

"(d) INFLATION ADJUSTMENT.—In the case of a 24-month period referred to in subsection (a)(6) which ends in a calendar year after 2026, the $20,000 amount in such subparagraph shall be increased by an amount equal to—

"(1) such dollar amount, multiplied by

"(2) the cost-of-living adjustment determined under section 1(f)(3) for such calendar year by substituting 'calendar year 2025' for 'calendar year 2016' in subparagraph (A)(ii) thereof.

Any increase under the preceding sentence which is not a multiple of $100 shall be rounded to the nearest multiple of $100.

"SEC. 1400W-2. RIGHTS OF FIRST REFUSAL.

"(a) IN GENERAL.—No Federal income tax benefit shall fail to be allowable to the taxpayer with respect to any qualified property, merely by reason of a right of first refusal or purchase option held by a government agency or an organization described in paragraph (3) or (4) of section 501(c) and exempt from tax under section 501(a) to purchase such property or all of the partnership interests (other than interests of the person exercising such option or a related party thereto (within the meaning of section 267(b) or 707(b)(1)), after the close of the 10th year after the acquisition of the qualified property for a price which is not less than the minimum purchase price.

"(b) MINIMUM PURCHASE PRICE.—For purposes of this section, the term 'minimum purchase price' means, with respect to any qualified property, the sum of—

"(1) the principal amount of outstanding indebtedness secured by such property (other than indebtedness incurred within the 5-year period ending on the date of the sale), and

"(2) all Federal, State, and local taxes attributable to such sale.

"(c) SPECIAL RULES.—For purposes of determining whether an option, including a right of first refusal, to purchase property is described in this section—

"(1) such option or right of first refusal may be exercised with or without the approval of the taxpayer, or any limited partner in a limited partnership or manager or managing member of a limited liability company, and

"(2) a right of first refusal may be exercised in response to any offer to purchase the property, including an offer by a related party.

“SEC. 1400W-3. EXEMPTION FROM PASSIVE ACTIVITY RULES.

‘‘For purposes of section 469, the term ‘passive activity’ shall not include the residential rental of qualified property.

“SEC. 1400W-4. EXEMPTION FROM PROFIT MOTIVE REQUIREMENT.

‘‘Section 183(a) shall not apply to the residential rental of qualified property.

“SEC. 1400W-5. APPLICATION OF DEBT ALLOCATION AND AT-RISK RULES.

‘‘(a) IN GENERAL.—For purposes of sections 752 and 465, the term ‘qualified nonrecourse financing’ includes any financing—

‘‘(1) which is borrowed by a partnership referred to in section 1400W-1(a)(3) with respect to the activity of holding qualified property, and

‘‘(2) which is borrowed by the partnership from an organization exempt from tax under this chapter, including any such organization that is a partner in the partnership.

‘‘(b) DETERMINATION OF PARTNER’S SHARE OF QUALIFIED NONRECOURSE FINANCING.—A partner’s share of any qualified nonrecourse financing of such partnership shall be determined on the basis of the partner’s share of liabilities of such partnership incurred in connection with such financing (within the meaning of section 752).

"(c) RISK OF LOSS.—For the purposes of section 752 and subsection (b), a partner shall be deemed to not bear the risk of loss for a loan made (or made by a related person to such partner) with respect to qualified property that is qualified nonrecourse financing described in subsection (a).

"SEC. 1400W-6. DETERMINATION OF GAIN OR LOSS ON DISPOSITION OF QUALIFIED PROPERTY.

"For purposes of determining the gain or loss on the sale or exchange of any qualified property (or any pass-through interest therein) held by the taxpayer for not less than 10 years beginning on the date that such qualified property was placed in service, the basis of such property or pass-through interest shall be equal to the fair market value of such property on the date of such sale or exchange.

"SEC. 1400W-7. ACCELERATED DEPRECIATION.

"In the case of qualified property (and any property intended to become qualified property within 24 months), the recovery period of such property for purposes of section 168 (including subsection (g)(2) thereof) shall be 15 years.

"SEC. 1400W-8. EXCEPTION FROM CERTAIN BASIS ADJUSTMENT RULES.

"(a) NO BASIS ADJUSTMENT FOR ENERGY EFFICIENT HOME CREDIT.—Section 45L(e) shall not apply to qualified property.

"(b) NO BASIS ADJUSTMENT FOR ENERGY EFFICIENT COMMERCIAL BUILDING DEDUCTION.—Section 179D(e) shall not apply to qualified property.

"(c) NO BASIS ADJUSTMENT FOR INVESTMENT CREDITS.—Section 50(c) shall not apply to qualified property.

"SEC. 1400W-9. TREATMENT OF CPAITAL GRANTS.

"In the case of any amount received by an entity described in 1400W-1(c) with respect to property intended to be qualified property, as defined in section 460(c)(8), such consideration—

"(1) shall not be includible in gross income of the eligible taxpayer, and

"(2) the depreciable basis of any property acquired with such money shall not be reduced by the amount of such consideration.".

(b) CLERICAL AMENDMENT.—The table of subchapters for chapter 1 of the Internal Revenue Code of 1986 is amended by inserting after the item relating to subchapter V the following new item:

"SUBCHAPTER W—CERTAIN RESIDENTIAL RENTAL PROPERTY".

(c) EFFECTIVE DATE.—The amendments made by this section shall apply to taxable years beginning after the date of the enactment of this Act.

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